

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE )  
COMPANY OF OKLAHOMA (PSO) FOR )  
AN ORDER OF THE COMMISSION )  
PREAPPROVING THE ACQUISITION AND ) CASE NO. PUD 2025-000064  
COST RECOVERY OF GENERATION )  
FACILITIES TO ALLOW PSO TO MEET )  
ITS OBLIGATIONS PURSUANT TO OAC )  
165:35-25-3(e). )

DIRECT TESTIMONY OF  
  
MATTHEW A. HORELED  
  
FOR  
  
PUBLIC SERVICE COMPANY OF OKLAHOMA

September 2025

TESTIMONY INDEX

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**I. INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME, POSITION WITH PUBLIC SERVICE COMPANY OF OKLAHOMA, AND BUSINESS ADDRESS.**

A. My name is Matthew A. Horeled. I am Vice President, Regulatory and Finance for Public Service Company of Oklahoma (PSO or the Company). My business address is 212 East 6<sup>th</sup> Street, Tulsa, Oklahoma 74119.

**Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.**

A. I received a Bachelor of Arts, Honors degree in History from Loyola University Chicago in May 2001, and a Master of Business Administration degree with a concentration in Finance from Loyola University Chicago in August 2004. I was awarded a Juris Doctor from Valparaiso University School of Law in May 2005.

I am responsible for PSO's regulatory matters, financial results and financial plans in conjunction with other American Electric Power Company, Inc. (AEP) organizations that impact PSO's financial results. My responsibilities include all rate and regulatory matters, short- and long-term financial forecasts, financial analyses, and monitoring financial results.

**Q HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN A REGULATORY PROCEEDING?**

A. Yes. I filed testimony and have testified in the following cases before this Commission: PUD 201800097, PUD 201900048, PUD 202000097, PUD 202100040, PUD 202100055, PUD 202100076, PUD 2022-000096, PUD 2022-000121, PUD 2023-000086, PUD 2023-000032, and PUD 2024-000057.

1                    **II. PSO'S NEED FOR ADDITIONAL GENERATION RESOURCES**

2        **Q.     WHY HAS PSO FILED THIS CASE?**

3        A.     The simple answer is to serve existing and future customers with reliable electric  
4            service. As we all realize, reliable electric service is a daily requirement for our homes,  
5            businesses, and public safety. Providing reliable electric service requires adequate  
6            investments and planning in generation, transmission, and distribution facilities. This  
7            case was filed seeking preapproval of generating facilities to be owned by PSO and  
8            purchase power and a capacity contract with third parties. PSO has a capacity need to  
9            serve customers and must work toward meeting our obligation to serve.

10       **Q.     IN YOUR OPINION DOES THE COMMISSION SUPPORT THE NEED FOR**  
11           **THE PUBLIC TO RECEIVE RELIABLE ELECTRIC SERVICE?**

12       A.     Yes. This Commission's standard for electric utility generation capacity requirements  
13           is found at OAC:165:35-25-3(e):

14                    **Reliability of Supply.** The generation capacity of a utility's plant,  
15                    supplemented by the electric power regularly available from other  
16                    sources or firm contracts for electric power by a utility which operates  
17                    no generation plants, must be sufficiently large to meet all demands for  
18                    service and provide a reasonable reserve for emergencies.

19                     
20                    PSO has filed this case to receive preapproval and cost recovery for the  
21                    generation assets, purchase power and a capacity contract that are necessary to provide  
22                    reliable electric service, and therefore comply with the Commission's rule on providing  
23                    a reliable supply of electricity. Specifically, PSO is requesting approval of eight  
24                    generation resources to meet customer needs. Seven of the resources were selected for  
25                    the short-listed solicitations from a September 2023 All-Source Request for Proposals

1 (2023 RFP) seeking up to 1,500 Megawatts (MW) of Southwest Power Pool (SPP)  
2 accredited capacity. PSO is also requesting approval and cost recovery of two  
3 combustion turbines that are each 225 MW and expected to be in service no later than  
4 December 2028.

5 **Q. HAS PSO RECEIVED RECENT APPROVALS TO ACQUIRE GENERATION?**

6 A. Yes. First, the Commission approved a settlement agreement that found PSO's  
7 purchase of 675 MW of wind resources from the North Central Energy Facilities  
8 (NCEF) would be used and useful for customers.<sup>1</sup> Although the NCEF provided 675  
9 MW of nameplate capacity, the primary purpose for the purchase was driven by the  
10 energy cost savings to customers. In a subsequent case, the Commission approved three  
11 wind facilities and three solar facilities, which were approximately 975 MW of  
12 nameplate capacity.<sup>2</sup> One of the solar facilities approved by the Commission will not  
13 be built, reducing the amount of nameplate capacity by 103.5 MW.<sup>3</sup> The Commission  
14 most recently approved the purchase of the Green Country generation facility (Green  
15 Country) located in Jenks, Oklahoma.<sup>4</sup> Green Country is a 795 MW gas-fired combined  
16 cycle plant. PSO took ownership of the plant on June 30, 2025.

17 **Q. THE PURCHASE OF GREEN COUNTRY CAME AFTER THE ISSUANCE OF**  
18 **THE 2023 RFP. DID THE PURCHASE OF GREEN COUNTRY REDUCE THE**  
19 **NEED FOR THE 1,500 MW SOUGHT IN THE 2023 RFP?**

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<sup>1</sup> Order No. 708933 issued in case PUD 201900048 on February 20, 2020.

<sup>2</sup> Order No. 734110 issued in case PUD 2022-000121 on May 4, 2023.

<sup>3</sup> PSO notified the Commission on October 30, 2024, that the Chisholm Trail project was canceled due to passage of a Sedgwick County ordinance banning solar in the project location.

<sup>4</sup> Order No. 749854 issued in case PUD 2024-000057 on June 4, 2025.

1 A. No. As will be explained in more detail later in my testimony, the purchase of Green  
2 Country did not reduce the need for the 1,500 MW of SPP accredited capacity requested  
3 in the 2023 RFP.

4 **Q. IT APPEARS THE COMMISSION HAS BEEN VERY SUPPORTIVE IN**  
5 **MAKING IT POSSIBLE FOR PSO TO RELIABLY SERVE CUSTOMERS.**

6 A. The Commission's positive orders allowing for reasonable cost recovery in a timely  
7 manner have been instrumental in allowing PSO to reliably serve customers at a  
8 reasonable cost and prepare for future capacity and energy needs. PSO intends to  
9 continue working with the Commission to provide reliable electric service to current  
10 and future customers at a reasonable price.

- 1 Q. WHAT WITNESSES ARE TESTIFYING IN SUPPORT OF THIS CASE?
- 2 A. PSO's witnesses are contained in Table 1 below:

**Table 1**

Witness	Testimony Summary
Matthew Horeled	Need for Additional Resources, PSO Policy, and Recovery Mechanism Request
Scott Bolan	RFP Overview, Evaluation, and Selection
Paul Demmy	Discussion of the Company's Capacity Needs and Economic Analysis
Beth Lozier	Due Diligence, Support Cost of Projects, and O&M
Hassan Hayat	Deliverability Assessment and Congestion Modeling
Dr. Shelly Hagerman	Operation of Battery Energy Storage Systems and Dispatch Plans
Michael Dilley	Overview of NE 5&6 Project, Construction, and O&M
Rebecca Schwarz	Customer Impacts, Recovery Mechanisms, and Accounting Treatment
Gary Spitznogle	Environmental rules and permits applicable to the NE 5&6 Project
Bryan Trapp	ITCs and other tax related matters

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**III. DEMANDS FOR ELECTRIC SERVICE**

**Q. THE COMMISSION’S RULE QUOTED AT THE BEGINNING OF YOUR TESTIMONY STATES IN PART THAT PSO’S GENERATION MUST BE “SUFFICIENTLY LARGE TO MEET ALL DEMANDS FOR SERVICE AND PROVIDE A REASONABLE RESERVE FOR EMERGENCIES.” IS PSO EXPERIENCING NEW DEMANDS ON ITS SYSTEM?**

A. Yes. New loads, mostly from commercial and industrial customers, are driving the increase in demand for electric service. Load growth in the residential class of service is minor in comparison. Commercial and industrial growth is being fueled by new customers coming on to the system with electric needs far greater than what PSO has experienced in the past.

**Q. CAN YOU PROVIDE AN EXAMPLE OF THE GROWTH IN INDUSTRIAL AND COMMERCIAL CUSTOMERS?**

A. Yes. PSO has signed a Letter of Agreement with a new customer that will eventually result in a load of over 1,000 MW. For most of PSO’s history, the largest single customer was 130 MW. PSO currently has 11 customers under Letters of Agreement (LOAs) or contracts that are 50 MW or larger. There are several industrial parks in PSO’s service territory in late-stage negotiations with large load projects that are expected to sign LOAs this year. These projects represent thousands of new jobs for Oklahoma’s economy.

1 **Q. THERE HAS BEEN DISCUSSION OF PSO CONTINUING TO RUN**  
2 **NORTHEASTERN UNIT 3 ON GAS, CEASING BURNING COAL, AND**  
3 **THEREBY EXTENDING THE LIFE OF THE PLANT BEYOND 2026. DOES**  
4 **PSO STILL PLAN ON CONTINUING TO RUN NORTHEASTERN UNIT 3 ON**  
5 **NATURAL GAS?**

6 A. Yes. PSO is working with environmental agencies and others to amend the State  
7 Implementation Plan (SIP) to allow for the continuation of Northeastern Unit 3 (NE  
8 Unit 3) on natural gas. PSO's projected need for additional accredited capacity includes  
9 the 381 MW of a gas-fired NE Unit 3 as being online in 2026. Without U.S.  
10 Environmental Protection Agency approval for the continuation of NE Unit 3, PSO will  
11 have a greater need for additional generation resources to meet customer demands for  
12 service.

13 **Q. WHAT IS PSO'S NEED FOR INCREMENTAL CAPACITY RESOURCES?**

14 A. As set forth in PSO witness Demmy's testimony, even with the addition of Green  
15 Country and the continuation of NE Unit 3 on natural gas, without acquiring additional  
16 SPP accredited capacity resources, PSO's summer capacity position will be deficient  
17 10 MW in 2027, 470 MW in 2028, and 1,766 MW in 2029. PSO's generation resource  
18 portfolio will not meet the Commission's requirement that it be "sufficiently large to  
19 meet all demands for service and provide a reasonable reserve for emergencies"  
20 without the additional generation resources that are the subject of this filing.

21 **Q. WHAT IS THE PROCESS THAT RESULTS IN A NEW DEMAND FOR**  
22 **SERVICE FROM PSO?**

1 A. Companies looking to expand or relocate commonly issue Request for Proposals  
2 (RFPs) to solicit and compare development opportunities across the country, and on  
3 occasion, the world. Local economic development organizations, including but not  
4 limited to the Oklahoma Department of Commerce, industrial parks, and local  
5 chambers of commerce gather information about a site's ability to meet the company's  
6 needs through Requests for Information (RFIs). As a provider of electric service, PSO  
7 is frequently asked to respond to RFIs documenting the electric infrastructure, current  
8 ability to serve, and future ability to serve for various sites.

9           Once a company has decided to locate in PSO's service territory, PSO works  
10 with the company to execute a LOA outlining how PSO will work to serve the site. The  
11 LOA includes a detailed scope of initial work and a list of long lead materials to be  
12 procured by PSO, as well as what financial security will be paid by the customer within  
13 30 days of executing the LOA. Once a LOA has been executed, PSO must work  
14 diligently to secure the necessary generation. PSO must have a plan to ensure the  
15 necessary generation will be available prior to executing a Contract for Electric Service.  
16 There is often pressure from the potential customer, and the economic development  
17 organization coordinating the project, to meet strict development timelines.

18 **Q. ARE THERE REQUIREMENTS THAT THE POTENTIAL CUSTOMER**  
19 **MUST MEET BEFORE PSO IS WILLING TO MEET THE SERVICE**  
20 **DEMAND BEING REQUESTED?**

21 A. Yes. PSO requires that potential customers make financial commitments to ensure the  
22 stability and reliability of service for all customers. PSO has several standardized  
23 contract requirements for customers with a diversified demand of at least 750 kilowatts.

1 PSO requires a minimum term, cancellation notice, termination fee, and minimum  
2 collateral that is proportional to the size of their load. Minimum billing amounts are  
3 required to be at least 80% of the load's contract capacity. Cost justification may  
4 require minimums above 80% to ensure a return on investment in five years.

5 **IV. THE RESOURCE SELECTION PROCESS**

6 **Q. HOW DID THE COMPANY SELECT THE GENERATION RESOURCES?**

7 A. PSO employed the competitive bidding process outlined in Subchapter 34 of the  
8 Commission's Electric Utility Rules to identify and evaluate generation alternatives to  
9 satisfy the capacity needs identified by PSO. PSO designed its All-Source RFP to be a  
10 market test of reasonable alternatives to meet its need for generation resources.

11 **Q. PLEASE DESCRIBE THE RFP PROCESS.**

12 A. The RFP process unfolded over several key phases. The RFP was issued in November  
13 2023, and notifications were sent to shortlisted bidders in early September 2024. To  
14 meet a growing demand for capacity due to economic development in PSO's service  
15 territory, PSO executed a bid refresh in December 2024. From September 2024 through  
16 September 2025, PSO engaged in negotiations with selected bidders to finalize  
17 agreements. PSO witness Bolan addresses the RFP process in greater detail.

18 **Q. WERE AFFILIATE BIDS SUBMITTED IN RESPONSE TO THE RFP?**

19 A. Yes. The Company initially bid a project to construct gas combustion turbines at the  
20 Northeastern site into the All-Source RFP. The project was designed to reuse the  
21 generation interconnection currently being utilized by NE Unit 3. After PSO learned  
22 that it might be able to continue running NE Unit 3 on natural gas, the Company could  
23 no longer use the same interconnection rights at NE Unit 3 for its project, which led it

1 to withdraw the bid. The Company then developed a new project for Northeastern Units  
2 5 and 6 (the NE 5&6 Project), which includes, among other modifications, a place in  
3 the SPP transmission interconnection queue. PSO witness Dilley addresses the NE 5&6  
4 Project in more detail.

5 **Q. WHAT ARE SOME OF THE BENEFITS OF THE NE 5&6 PROJECT?**

6 A. As described in more detail by PSO witness Demmy, PSO needs the capacity of the  
7 NE 5&6 Project no later than December 2028, a deadline that the Company can meet.  
8 Additionally, PSO was able to take swift action to secure the combustion turbines from  
9 General Electric (GE) when they were available and before they were claimed by other  
10 GE customers. Moreover, the NE 5&6 Project ranks high in comparison to the  
11 December 2024 All-Source RFP bid refresh. In fact, it was the second best scored  
12 project when compared to all other bids.

13 **Q. HOW WOULD YOU DESCRIBE THE RESPONSE TO THE RFP?**

14 A. The Company was pleased with the robust response from the market. The Company  
15 received 314 bids representing solar, wind, battery energy storage systems (BESS), and  
16 thermal resources. As described in the testimony of PSO witness Bolan, PSO  
17 eliminated a number of bids due to grid security and other issues.

18 **Q. DID THE USE OF AN ALL-SOURCE RFP HAVE AN IMPACT ON THE RFP  
19 PROCESS?**

20 A. Yes. The number and configuration of the bids required considerably more time to  
21 process, compared to prior RFPs that limited the type of resources that could be bid.  
22 For context, in its 2021 RFP, the Company received 17 bids. PSO received more than  
23 18 times that number of bids in response to its 2023 All-Source RFP.

1 **Q. HOW MANY BIDS DID PSO ACTUALLY EVALUATE?**

2 A. PSO evaluated 150 bids after eligibility and threshold testing was conducted. The bids  
3 evaluated included BESS Purchase and Sale Agreements (PSAs), Natural Gas Capacity  
4 Purchases Agreements (CPAs), Natural Gas PSAs, Solar Purchase Power Agreements  
5 (PPAs), Wind PPAs and Wind PSAs. This was an evaluation of a robust number of  
6 bids across many different generation types, a true all-source RFP and evaluation.

7 **Q. HOW MANY WIND AND SOLAR PPAS DID PSO EVALUATE?**

8 A. PSO evaluated 47 Solar PPAs and 22 Wind PPAs. PSO witness Bolan describes the  
9 evaluation process in more detail. In my opinion, the number of PPAs evaluated and  
10 selected shows that PSO clearly was open to PPAs as well as PSAs.

11 **Q. WHY WERE BESS PPAS ELIMINATED FROM CONSIDERATION?**

12 A. BESS PPAs were eliminated to avoid a grid security risk. PSO witness Bolan testifies  
13 about the bidding process, bids received, evaluation of the bids and the selection  
14 process.

15 **Q. PLEASE DESCRIBE THE SHORTLISTED PROJECTS.**

16 A. The PSO RFP shortlisted projects of 849 MW nameplate capacity will result in 434.7  
17 MW of 2029 Accredited Summer Capacity. The RFP capacity consists of seven  
18 projects: three BESS resources (the PSAs for Northeastern 1&2, Rock Falls, and  
19 Dover); three wind PPAs (Caddo, King Plains, and Weatherford) and one thermal CPA  
20 (Kiamichi). By adding the two 225 MW combustion turbines (the NE 5&6 Project),  
21 PSO will be adding a total of 871.2 MW of 2029 Accredited Summer Capacity to the  
22 system. Table 2 below summarizes the seven remaining short-listed projects and the  
23 NE 5&6 Project.

**Table 2**

Bidder	Location	Project Name	Technology Type	Offered Capacity – Nameplate (MW)	2029 Accredited Summer Capacity (MW)	PSA/PPA	PSA Capital - "All In" (\$M)
Tenaska	Oklahoma	Kiamichi	Combined Cycle	150	150	CPA	
Allete	Oklahoma	Caddo	Wind	80	10	PPA	
NextEra	Oklahoma	Weatherford	Wind	147	19	PPA	
Engie	Oklahoma	King Plains	Wind	248	31	PPA	
Jupiter	Oklahoma	Northeastern 1&2	Storage Standalone	100	97	PSA	\$312
Jupiter	Oklahoma	Rock Falls	Storage Standalone	50	48	PSA	\$165
Jupiter	Oklahoma	Dover	Storage Standalone	74	72	PSA	\$238
Self-Build	Oklahoma	Northeastern 5&6	NG CT	450	437	PSA	\$540
<b>Total:</b>				<b>1,299</b>	<b>863</b>		<b>\$1,255</b>

1 **Q. WHAT IS THE EXPECTED TOTAL COST OF THE GENERATION**  
 2 **RESOURCES?**

3 A. Total cost for the selected projects, including purchase price and owner’s costs, is  
 4 expected to be \$1.255 billion, as discussed by Company witnesses Lozier and Dilley.  
 5 The total estimated retail rate impact in 2029, once all of the generation resources have  
 6 entered commercial operation, is \$157.1 million, as discussed by Company witness  
 7 Schwarz.

8 **Q. IS TIMELY ACTION BY THE COMMISSION IMPORTANT?**

9 A. Yes. Developers and other contracting parties have indicated that their price  
 10 commitments are only valid for a limited time. Additionally, as noted above, PSO  
 11 requires additional capacity to meet the Commission’s requirements. Because

1 developing a generation asset is a time-intensive process, prompt action at what I refer  
2 to as the speed of business is essential.

3 **V. PSO MEETS THE REQUIREMENTS OF TITLE 17, SECTION 286(C)**

4 **Q. AT THE BEGINNING OF YOUR TESTIMONY YOU REFERENCE TITLE 17,**  
5 **SECTION 286(C). HAS PSO COMPLIED WITH THE STATUTORY**  
6 **REQUIREMENTS FOR THE COMMISSION TO GRANT PREAPPROVAL**  
7 **AND COST RECOVERY?**

8 **A.** Yes. My understanding is that PSO's request complies with the requirements of Section  
9 286(C)(1) and (2) that state in pertinent part:

10 (1) An electric utility subject to rate regulation by the Corporation  
11 Commission may elect to file an application seeking approval by the  
12 Commission to construct a new electric generating facility, to  
13 purchase an existing electric generation facility or enter into a long-  
14 term contract for purchased power and capacity and/or energy,  
15 subject to the provisions of this subsection. If, and to the extent that,  
16 the Commission determines there is a need for construction or  
17 purchase of the electric generating facility or long-term purchase  
18 power contract, the generating facility or contract shall be  
19 considered used and useful and its costs shall be subject to cost  
20 recovery rules promulgated by the Commission. The Commission  
21 shall enter an order on an application filed pursuant to this  
22 subsection within two hundred forty (240) days of the filing of the  
23 application, following notice and hearing and after consideration of  
24 reasonable alternatives, unless the electric generating facility  
25 utilizes natural gas as its primary fuel source. If the electric  
26 generating facility uses natural gas as its primary fuel source, then  
27 the Commission shall enter an order on an application filed pursuant  
28 to this subsection within one hundred eighty (180) days of the filing  
29 of the application, following notice and hearing and after  
30 consideration of reasonable alternatives.

31 (2) Bids received by the utility through a competitive bidding  
32 process within the twelve (12) months following the final bid due  
33 date of such competitive bidding process shall be considered  
34 substantial evidence to satisfy the consideration of reasonable  
35 alternatives.  
36

1            PSO's application seeks a determination by the Commission that the purchase  
2 of the selected projects and entering into the PPAs and CPA is reasonable when  
3 compared to other alternatives to meet the identified need for capacity. The selected  
4 projects, PPAs, and CPA will provide a source of reasonably priced capacity while  
5 providing a diversified generation portfolio.

6 **Q. SECTION 286(C) REQUIRES THE COMMISSION TO CONSIDER**  
7 **REASONABLE ALTERNATIVES. HOW DOES PSO'S APPLICATION**  
8 **PRESENT AND FACILITATE CONSIDERATION OF REASONABLE**  
9 **ALTERNATIVES FOR GENERATION RESOURCES?**

10 A. The Company's testimony in support of the Application presents the identification and  
11 analysis of reasonable alternatives by the review of the bids received from the 2023  
12 RFP, which, as stated previously, is discussed in more detail in the testimony of  
13 Company witness Bolan. PSO compared the NE 5&6 Project to the short-listed bids  
14 following a similar process as was done for the Green Country generation facility,  
15 which was found to be reasonable by the Commission.<sup>5</sup> As stated previously, the  
16 comparison to the short-listed bids has been recently codified as part of the preapproval  
17 statute.

18            The evidence presented by PSO with respect to identifying and analyzing  
19 reasonable alternatives provides the evidence for the Commission to consider  
20 reasonable alternatives as required by the statute.

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<sup>5</sup> Case No. PUD 2024-000057 (Order No. 749854).

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**VI. PSO'S PROPOSED COST RECOVERY**

**Q. WHAT SPECIFIC COST RECOVERY PLAN IS THE COMPANY REQUESTING?**

- A. The Company requests that the Commission issue an order finding:
- (1) That the Commission establish a temporary rider mechanism, as described by Company witness Schwarz, that provides for recovery of the costs of the Generation Resources until inclusion in PSO's base rates.
  - (2) That return on construction work in progress (CWIP) for the NE 5&6 Project since the inception of the project be included in the temporary rider mechanism. If the Company's proposal is approved, the return on CWIP for the period prior to regulatory approval will be added to the ESR deferral for collection from customers over the first year of the rider's operation.
  - (3) That the battery energy storage systems shall be depreciated on a 20-year basis.
  - (4) That any proceeds from the sale of Renewable Energy Certificates shall flow through the Company's Fuel Adjustment Clause (FAC).
  - (5) That the Investment Tax Credits (ITCs) be credited to customers over a 20-year period and the deferred ITC benefits will be recorded to account 255 (Accumulated deferred investment tax credits) on PSO's balance sheet and credited to the rate base with customers receiving a carrying charge at PSO's weighted average cost of capital.
  - (6) That the costs from the PPA and CPA be recovered through the FAC.

**Q. HOW IS PSO PROPOSING TO RECOVER THE COST OF THE GENERATION RESOURCES?**

A. PSO is proposing the Energy Security Rider (ESR) as a mechanism which will allow for cost recovery after each of the generation resources attains commercial operation and remain in the rider until the Commission includes each of the generation resources in base rates. The ESR would include depreciation, return, Operation and Maintenance (O&M) expense, and property taxes. The testimony of Company witness Schwarz further describes the ESR and how the costs will be allocated between customer classes.

1 **Q. WHY IS COST RECOVERY NECESSARY BEFORE PSO FILES A BASE**  
2 **RATE CASE?**

3 A. The Commission has recognized that making large generation purchases puts a  
4 significant financial strain on a utility and therefore has approved timely cost recovery.<sup>6</sup>  
5 Cost recovery is also necessary because when the Commission grants preapproval,  
6 pursuant to 286(C), the statute states the generating facility, or long-term purchase  
7 contract, is determined “used and useful.” It is my understanding that in Oklahoma  
8 there are two avenues for utility property to be classified as “used and useful” and  
9 therefore entitling a utility to earn a return. One method is to file what is referred to as  
10 a “Chapter 70” base rate case where the Commission conducts an after-the-fact review  
11 to determine if the generation facility is used and useful for customers. In 2005 the  
12 Oklahoma Legislature created a second avenue for a regulated utility to obtain a used  
13 and useful determination when 286(C) was passed. The statute states that if the  
14 Commission determines there is a need, and after reviewing reasonable alternatives the  
15 proposed facility or contract will meet that need, the proposed facility or contract will  
16 be considered used and useful and subject to the Commission’s cost recovery rules. A  
17 utility company exercises its managerial discretion in determining what type of  
18 regulatory filing is most appropriate to achieve a determination of used and usefulness.

19 It is also my understanding that a utility is entitled by law to a return on property  
20 that is determined to be used and useful. Therefore, if the Commission determines PSO  
21 has met its statutory burden for preapproval of the Generation Resources, the question

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<sup>6</sup> See Final Order No. 749854, paragraph 43.

1 before the Commission is not *can* PSO receive cost recovery in this case, but *how* the  
2 cost recovery will be achieved.

3 The Commission has two options to accomplish cost recovery for generation  
4 assets determined to be used and useful. Those cost recovery options are 1)  
5 immediately change base rates to include cost recovery of the asset or 2) implement a  
6 rider mechanism. A rider mechanism is administratively a more effective rate changing  
7 process than changing base rates due to multiple facilities coming on-line at different  
8 times. Therefore, PSO has recommended cost recovery through the ESR.

9 **Q. IS THERE ANY OTHER REASON THAT THE COSTS OF THE**  
10 **GENERATING FACILITIES SHOULD BE RECOVERED THROUGH A**  
11 **RIDER?**

12 A. Yes. To my knowledge cost recovery of a PPA or a CPA has always been through the  
13 FAC rider. PSO is asking that cost recovery for all resources be treated the same, i.e.,  
14 costs are recovered through a rider mechanism. To my knowledge, the Commission has  
15 always authorized some type of rider recovery when granting preapproval.

16 **Q. HAS THE COMMISSION DETERMINED IT IS REASONABLE FOR A**  
17 **UTILITY TO INCUR COSTS TO SERVE CUSTOMERS PRIOR TO THE**  
18 **EXACT TIME THE ASSET MIGHT BE REQUIRED?**

19 A. Yes. The Commission specifically found “PSO’s efforts to procure generation capacity  
20 approximately two years in advance of the projected shortfall in 2027 are reasonable.”<sup>7</sup>

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<sup>7</sup> Order 749854, page 3, paragraph 17.

1           Therefore, the development period for the projects in this case should also be  
2           considered reasonable.

3   **Q.   WHAT IS THE EXPECTED CUSTOMER BILL IMPACT?**

4   A.   Company witness Schwarz details the customer impact for all classes of service in her  
5           testimony. The average residential customer using 1,100 kilowatt hour (kWh) will see  
6           a total net increase of approximately \$10.34/month (6.92% total bill).

7   **Q.   WHAT DEPRECIATION RATES ARE BEING REQUESTED FOR THE  
8           GENERATION RESOURCES?**

9   A.   As discussed by Company witness Schwarz, PSO is seeking approval of a 20-year  
10          depreciation rate for the BESS Projects and a 30-year depreciation rate for the  
11          combustion turbines used in the NE 5&6 Project.

12   **Q.   HOW DOES PSO PROPOSE TO USE RENEWABLE ENERGY  
13          CERTIFICATES FROM THE PPAS TO BENEFIT CUSTOMERS?**

14   A.   PSO is proposing to reduce fuel expense by crediting the net proceeds from the sale of  
15          Renewable Energy Certificates (RECs) to the fuel adjustment clause. This same  
16          treatment has been approved by the Commission in prior cases.

17   **Q.   PLEASE EXPLAIN PSO'S PROPOSED TREATMENT OF INVESTMENT  
18          TAX CREDITS AND HOW THAT TREATMENT BENEFITS CUSTOMERS.**

19   A.   PSO is proposing that the ITCs be credited to customers over a 20-year period and the  
20          deferred ITCs will be recorded to account 255 (Accumulated deferred investment tax  
21          credits) on PSO's balance sheet and credited to rate base with customers receiving a  
22          carrying charge at PSO's weighted average cost of capital. The intent of the proposed  
23          treatment of ITCs is to spread the rate reducing benefits over a longer period and

1 mitigate the amount of rate increase that customers will experience due to the expiration  
2 of the benefits derived from ITCs.

3 **Q. HOW IS THE COMPANY PROPOSING TO RECOVER COSTS FOR ITS PPAs**  
4 **AND CPA?**

5 A. The Company proposes to recover the PPAs and CPA through its FAC. This is  
6 consistent with how PSO has recovered all previous PPAs and CPAs.

7 **VII. CONCLUSION**

8 In conclusion, PSO's application reflects a comprehensive and forward-looking  
9 strategy to meet the growing and evolving energy needs of its customers. The proposed  
10 generation resources, selected through a robust, competitive process, are essential to  
11 ensuring reliability, affordability, and compliance with both regulatory and statutory  
12 requirements. The Commission has consistently supported PSO's efforts to secure  
13 capacity in advance of projected shortfalls, and this filing continues that prudent  
14 planning tradition.

15 PSO's request for preapproval and cost recovery is grounded in sound  
16 regulatory policy. The proposed ESR, and the recovery of PPA and CPA costs through  
17 the FAC are reasonable, efficient, and aligned with customer interests. These  
18 mechanisms will allow PSO to maintain financial stability while delivering reliable  
19 service at a reasonable cost.

20 PSO respectfully requests that the Commission approve the Application in full,  
21 recognizing the urgent need for additional capacity, the thoroughness of the resource  
22 selection process, and the fairness of the proposed cost recovery mechanisms. Timely  
23 approval will allow PSO to move forward at the speed of business and continue

1 delivering the energy security that Oklahoma's homes, businesses, and economy  
2 depend on.

AFFIDAVIT OF MATTHEW A. HORELED

STATE OF OKLAHOMA

COUNTY OF TULSA

On the \_\_\_ day of September, 2025, before me appeared Matthew A. Horeled to me personally known, who, being by me first duly sworn, states that he is the Vice President, Regulatory and Finance for Public Service Company of Oklahoma and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

Matthew A. Horeled

Matthew A. Horeled

Subscribed and sworn to before me this 11 day of September 2025

Jarrod Hutchison  
Notary Public

My commission expires: 4-5-2026

